Michigan Deptartment of Treasury 496 (2-04)

Auditii	ng P	Pro 68, as	cedures Repo	ort						
Local Governm			☐Village ☐Other	Local Governme			Count	RON		
Audit Date 3/31/05			Opinion Date 6/7/05		Date Accountant Report Submi	itted to State:				
accordance	with th	e St	nancial statements of this tatements of the Governing Counties and Local Units	mental Accou	inting Standards Board	(GASB) and tl	ne <i>Uniform</i>	Repor	nts prepared in ting Format for	
We affirm th	at:									
1. We have	e compl	ied v	with the Bulletin for the Aud	dits of Local U	Inits of Government in Mi	chigan as revis	ed.			
2. We are	certified	pub	lic accountants registered	to practice in	Michigan.					
We further as comments as			owing. "Yes" responses ha endations	ave been disc	losed in the financial state	ements, includi	ng the note	s, or in	the report of	
You must che	eck the	appli	icable box for each item b	elow.						
Yes 🗸	No	1.	Certain component units/f	funds/agencie	s of the local unit are exc	luded from the	financial st	tatemer	ıts.	
Yes _✓	/ No	2.	There are accumulated of 275 of 1980).	deficits in one	or more of this unit's un	reserved fund	balances/re	etained	earnings (P.A.	
Yes ✓] No		There are instances of ramended).	non-complianc	e with the Uniform Acco	ounting and Bu	udgeting Ac	t (P.A.	2 of 1968, as	
Yes ✓	Yes Vo 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.								ance Act or its	
Yes ✓	/ No		The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).							
Yes [✓	/ No	6.	The local unit has been de	elinquent in di	stributing tax revenues th	at were collecte	ed for anoth	er taxi	ng unit.	
Yes ✓] No	The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned 7. pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).								
☐ Yes 🗸	No No		The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).							
Yes Vo 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).).	
We have en	closed	the t	following:			Enclosed	To Be Forward		Not Required	
The letter of	comme	ents a	and recommendations.			✓			•	
Reports on i	ndividu	al fed	deral financial assistance	programs (pro	gram audits).				✓	
Single Audit Reports (ASLGU).							√			
		-	im Name) DMPANY, CPAS					10-01-01-00-00-0		
Street Address 60 HARR	OW LA	NE		_	City SAGINAW		State ZIP 48638			
Accountant Sign	nature	10	Cannetha-	Genh	Mume	V POR CONTRACTOR OF THE CONTRA	Date Qu	23	-05	

LAKE TOWNSHIP

Huron County, Michigan

FINANCIAL STATEMENTS

March 31, 2005

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60 Harrow Lane Saginaw, Michigan 48603

(989) 791-1555 Fax (989) 791-1992

INDEPENDENT AUDITORS' REPORT

To the Township Board Lake Township, Michigan

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Lake Township, Michigan as of and for the year ended March 31, 2005, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Lake Township's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Lake Township as of March 31, 2005, and the respective changes in financial position for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

The budgetary comparison schedules as identified in the table of contents are not a required part of the basic financial statements but are supplemental information required by the Government Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquires of management regarding the methods of measurement and presentation of the required supplemental information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Lake Township's basic financial statements. The accompanying other supplemental information, as listed in the table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements. The other supplemental information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The accompanying financial statements do not present a management's discussion and analysis, which would be an analysis of the financial performance for the year. The Governmental Accounting Standards Board has determined that this analysis is necessary to supplement, although not required to be a part of, the basic financial statements.

As described in Note 11, the Township has implemented a new financial reporting model, as required by the provisions of GASB Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*, and related statements, as of April 1, 2004.

June 7, 2005

Berthaume & Co.



STATEMENT OF NET ASSETS

March 31, 2005

	Governm <u>Activit</u>			
Assets:				
Cash and cash equivalents	\$	507,377		
Receivables		98,375		
Capital assets:				
Depreciable capital assets, net		13,554		
Total assets		619,306		
Liabilities:				
Accounts payable and accrued expenses		9,086		
Long-term liabilities:				
Due within one year		29,600		
Due in more than one year		75,138		
Total liabilities		113,824		
Net assets:				
Invested in capital assets, net of related debt		13,554		
Restricted for:				
Debt service		15,677		
Unrestricted		476,251		
Total net assets	\$	505,482		

STATEMENT OF ACTIVITIES

Year Ended March 31, 2005

			Program Revenues			_		
					0	perating		
	D			harges for		ants and		(Expense)
	<u>E</u>	xpenses		Services	Con	<u>tributions</u>		Revenue
Functions/Programs								
PRIMARY GOVERNMENT:								
Governmental activities:								
General government	\$	97,590	\$	360	\$	4,958	\$	(92,272)
Public safety		62,543		14,589		-		(47,954)
Public works		63,066		8,234		18,127		(36,705)
Health and welfare		3,213		-		-		(3,213)
Community and economic development		15,613		5,435		-		(10,178)
Recreation and culture		1,200		735		-		(465)
Interest on long-term debt		6,502						(6,502)
Total governmental activities	\$	249,727	\$	29,353	\$	23,085	\$	(197,289)

continued

	Governmental Activities
Changes in net assets:	
Net (Expense) Revenue	\$ (197,289)
General revenues:	
Taxes:	
Property taxes, levied for general purpose	108,326
Property taxes, levied for roads	112,628
Property taxes, levied for fire	87,963
Payment in lieu of property taxes	1,010
Franchise taxes	5,968
Grants and contributions not restricted to	
specific programs	67,367
Unrestricted investment earnings	1,946
Miscellaneous	278
Total general revenues	385,486
Change in net assets	188,197
Net assets, beginning of year	317,285
Net assets, end of year	\$ 505,482

GOVERNMENTAL FUNDS

BALANCE SHEET

March 31, 2005

	General Fund			Road Fund		Caseville Area Fire Protection Association Fund		Fosters White Sand Shores Subdivision Road Improvements Debt Service Fund	
Assets:	Ф	242.540	Ф	102.021	Ф		ф	10.005	
Cash and cash equivalents Taxes receivable	\$	242,548 6,241	\$	193,931 7,111	\$	5,677	\$	12,825	
Accounts receivable		1,700		7,111		3,077		-	
Special assessments receivable		1,700		_		-		49,377	
Due from other governmental units		10,914		_		_			
Due from other governmental units		10,711							
Total assets	\$	261,403	\$	201,042	\$	5,677	\$	62,202	
Liabilities and Fund Balances: Liabilities:									
Accounts payable	\$	1,873	\$		\$		\$		
and accrued expenses Due to other governmental units	Ф	1,0/3	Ф	-	Ф	5,677	Ф	-	
Deferred revenue						5,077		49,377	
Deterred revenue								77,377	
Total liabilities		1,873				5,677		49,377	
Fund balances:									
Reserved for:									
Debt service		-		-		-		12,825	
Unreserved:									
General fund		259,530		-		-		-	
Special revenue funds		-		201,042		-		-	
Capital projects funds									
Total fund balances		259,530		201,042				12,825	
Total liabilities and fund balances	\$	261,403	\$	201,042	\$	5,677	\$	62,202	

Imp	Sand Road provements ebt Service Fund	Gov	onmajor vernmental Funds	Total Governmental Funds			
\$	1,772	\$	56,301	\$	507,377		
	-	•	-	·	19,029		
	-		-		1,700		
	17,207		148		66,732		
					10,914		
\$	18,979	\$	56,449	\$	605,752		
\$	- - 17,207 17,207	\$	- - 148 148	\$	1,873 5,677 66,732 74,282		
	1,772		1,080		15,677		
	-		_		259,530		
	-		49,077		250,119		
			6,144		6,144		
	1,772		56,301		531,470		
\$	18,979	\$	56,449	\$	605,752		

RECONCILIATION OF FUND BALANCES OF GOVERNMENTAL FUNDS TO NET ASSETS OF GOVERNMENTAL ACTIVITIES

March 31, 2005

Total fund balances for governmental funds	\$	531,471
Total net assets reported for governmental activities in the statement of of net assets is different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds.		
Governmental capital assets	22,147	
Less accumulated depreciation	(8,593)	13,554
Interest payable in the governmental activities are not payable from current resources and therefore are not reported in the governmental funds.		(1,537)
Deferred revenues reported in the governmental funds are recognized as revenues for the governmental activities.		66,732
Long-term liabilities are not due and payable in the current year and therefore are not reported in the governmental funds:		
Special assessment bond payable	(75,000)	
Loan payable	(29,738)	(104,738)
Net assets of governmental activities	<u>\$</u>	505,482

GOVERNMENTAL FUNDS

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

Year Ended March 31, 2005

	 General Fund		Road Fund	As Pr As	Caseville rea Fire rotection sociation Fund	San Subdi Impi Del	ters White ad Shores vision Road rovements of Service Fund
Revenues:							
Property taxes	\$ 109,336	\$	112,628	\$	87,963	\$	-
Licenses and permits	24,222		-		-		-
State grants	72,722		1,944		-		-
Charges from services	11,099		-		-		-
Interest and rents	140		578		-		-
Other revenue	 278						9,984
Total revenues	 217,797		115,150		87,963		9,984
Expenditures:							
Current:	06.012						
General government	86,813		-		- 45 067		-
Public safety	16,076		12 277		45,267		-
Public works Health and welfare	28,433		13,277		-		-
Community and economic development	3,213 14,550		-		-		-
Recreation and culture	1,200		-		-		-
Other	11,874		_		_		_
Capital outlay	-		_		_		_
Debt service							
Principal	_		_		39,200		4,000
Interest and charges	_		_		3,496		2,390
Total expenditures	162,159		13,277		87,963		6,390
Excess (deficiency) of revenues over expenditures	55,638		101,873		-		3,594
Other financing sources (uses):							
Transfers in	- (2.000)		-		-		-
Transfers out	 (3,000)						-
Total other financing sources (uses)	 (3,000)	_		-			
Net change in fund balance	52,638		101,873		-		3,594
Fund balances, beginning of year, as restated	 206,892		99,169				9,231
Fund balances, end of year	\$ 259,530	\$	201,042	\$		\$	12,825

The accompanying notes are an integral part of these financial statements.

Old Sand Road Improvements Debt Service Fund		Gov	onmajor ernmental Funds	Total Governmental Funds			
\$	-	\$	-	\$	309,927		
	-		-		24,222		
	-		-		74,666		
	-		-		11,099		
	16		1,211		1,945		
	1,522		4,280		16,064		
	1,538		5,491		437,923		
	_		200		87,013		
	-		-		61,343		
	_		20,840		62,550		
	_		-		3,213		
	-		-		14,550		
	-		-		1,200		
	-		-		11,874		
	-		4,167		4,167		
	1,000		5,000		49,200		
	598		263		6,747		
	1,598		30,470		301,857		
	(60)		(24,979)		136,066		
	-		3,000		3,000		
					(3,000)		
		_	3,000				
	(60)		(21,979)		136,066		
	1,832		78,280		395,404		
\$	1,772	\$	56,301	\$	531,470		

RECONCILIATION OF STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

March 31, 2005

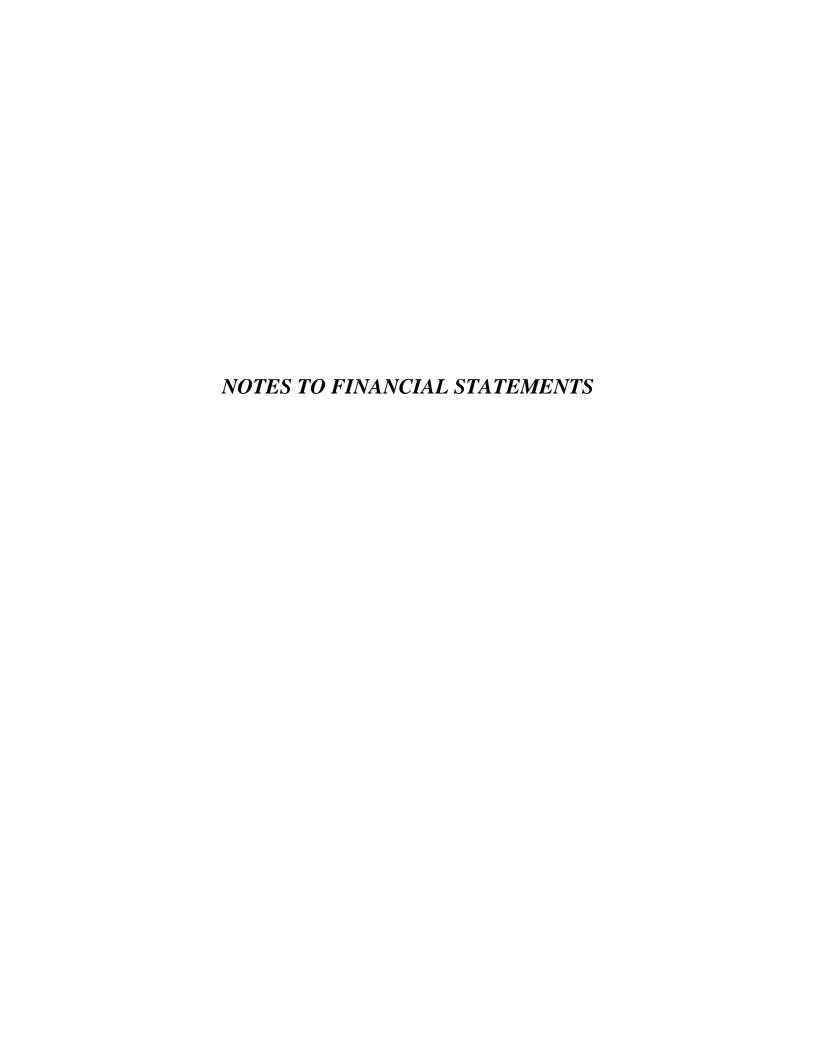
Net change in fund balances - total governmental funds		\$ 136,067
Total change in net assets reported for governmental activities in the statement of activities is different because:		
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is depreciated over their estimated useful lives and reported as depreciation expense.		
Capital outlay	4,167	
Less depreciation expense	(1,482)	2,685
Repayments of principal on bonds and loans is an expenditure in governmental funds, but the payment reduces long-term liabilities in the statement of net assets.		49,200
Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.		
Change in accrued interest payable		 245
Change in net assets of governmental activities		\$ 188,197

FIDUCIARY FUND

STATEMENT OF NET ASSETS

March 31, 2005

	Agency Fund
Assets:	
Cash and cash equivalents	\$ 1,700
Liabilities:	
Accounts payable	1,700
Net Assets:	
Unrestricted	\$ -



NOTES TO FINANCIAL STATEMENTS

March 31, 2005

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Township, which is located in Huron County, Michigan, is governed by a five member elected Board of Trustees and has approximately 1,000 residents.

The accounting policies of Lake Township conform to accounting principles generally accepted in the United States of America as applicable to governmental units. The following is a summary of the significant accounting policies:

Reporting Entity:

As required by accounting principles generally accepted in the United States of America, the financial statements of the reporting entity include those of the Township and its component units. In evaluating the Township as a reporting entity, management has addressed all potential component units (traditionally separate reporting entities) for which the Township may be financially accountable and, as such, should be included within the Township's financial statements. The Township (the primary government) is financially accountable if it appoints a voting majority of the organization's governing board and (1) it is able to impose its will on the organization or (2) there is a potential for the organization to provide specific financial burden on the Township. Additionally, the primary government is required to consider other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. There are no component units included in the Township's reporting entity.

Joint Venture – In October 1999, Lake Township and Caseville Township created the Caseville Area Fire Protection Association for the purpose of the establishment, operation, and maintenance of a joint fire department and fire authority, including, but not limited to, the acquisition and operation of fire department motor vehicles, equipment, apparatus, housing and personnel. This joint venture will be funded with special tax assessments from both townships. The assessment of Lake Township for the year ended March 31, 2005 was \$87,693, of which \$5,677 is still owed to the Association.

Lake Township owns an approximate 50% interest in the equity balance of the Association. The separate audited financial statements of the Caseville Area Fire Protection Association can be obtained from the Lake Township Supervisor at P.O. Box 429, Caseville, Michigan, 48725-0429.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation:

The accounts of the Township are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures or expenses, as appropriate. Governmental resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

Government-wide Financial Statements:

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting as are the fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider

March 31, 2005

have been met. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The statement of net assets and the statement of activities report information on all of the nonfiduciary activities of the primary government and its component units. These statements distinguish between activities that are governmental and business-type activities. There are no business-type activities.

The statement of net assets presents governmental activities on a consolidated basis, using the economic resources measurement focus and accrual basis of accounting. This method recognizes all long-term assets and receivables as well as long-term debt and obligations. The Township's net assets are reported in three parts (1) invested in capital assets, net of related debt, (2) restricted net assets, and (3) unrestricted net assets. The Township first utilizes restricted resources to finance qualifying activities.

The statement of activities reports both the gross and net cost of each of the Township's functions. The functions are also supported by general government revenues (property taxes, certain intergovernmental revenues, fines, permits and charges, etc.). The statement of activities reduces gross expenses (including depreciation) by related program revenues, operating and capital grants. Program revenues must be directly associated with the function. Operating grants include operating-specific and discretionary (either operating or capital) grants.

The net costs (by function) are normally covered by general revenue (property taxes, state sources and federal sources, interest income, etc.). The Township does not allocate indirect costs. In creating the government-wide financial statements the Township has eliminated interfund transactions.

The government-wide focus is on the sustainability of the Township as an entity and the change in the Township's net assets resulting from current year activities.

Fund Financial Statements:

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures are recorded only when payment is due.

Property taxes, franchise fees, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been met. Entitlements and shared revenues are recorded at the time of receipt or earlier if the susceptible to accrual criteria are met. All other revenue items are considered to be measurable and available only when cash is received by the government.

March 31, 2005

Fiduciary funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The fiduciary funds are accounted for on a spending or economic resources measurement focus and the accrual basis of accounting.

The Township reports the following major governmental funds:

The **General Fund** is the primary operating fund of the Township. It is used to account for all financial resources, except for those required to be accounted for in another fund.

The **Road Fund** is used to account for the maintenance of the Township's road system.

The Caseville Area Fire Protection Association Fund is used to account for the special fire tax assessment for the joint venture.

The Fosters White Sand Shores Subdivision Road Improvements Debt Service Fund is used to account for the debt service payments related to a special assessment bond.

The **Old Sand Road Improvements Debt Service Fund** is used to account for the debt service payments related to a special assessment bond.

Private-sector standards of accounting and financial reporting issued prior to March 1, 1989, generally are followed in the government-wide financial statements to the extent that those standards do no conflict with or contradict guidance of the Governmental Accounting Standards Board. The Township has elected not to follow subsequent private-sector guidance.

Assets, Liabilities and Equity

<u>Deposits and Investments</u> – Cash and cash equivalents include cash on hand, demand deposits, certificates of deposit and short term investments with a maturity of three months or less when acquired. Investments, if any, are stated at fair value. For purposes of the statement of cash flows, the Township considers all highly liquid investments (including restricted assets) with a maturity when purchased of three months or less and all local government investment pools to be cash equivalents.

<u>Interfund Receivables and Payables</u> – Generally, outstanding amounts owed between funds are classified as "due from/to other funds". These amounts are caused by transferring revenues and expenses between funds to get them into the proper reporting fund. These balances are paid back as cash flow permits.

<u>Inventories and Prepaid Items</u> – Inventories of governmental funds are recorded as expenditures when purchased rather than when consumed. Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

<u>Capital Assets</u> – Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated capital assets are recorded at their estimated fair market value at the date of donation. The Township defines capital assets as assets with an initial individual cost in excess of \$500. Costs of normal repair and maintenance that do not add to the value or materially extend asset lives are not capitalized. Public domain (infrastructure) assets (e.g., roads, bridges, sidewalks and other assets that are immovable and of value only to the government) are capitalized if acquired after April 1, 2004.

March 31, 2005

Capital assets are depreciated using the straight-line method over the following useful lives:

Buildings 50 years Furniture and equipment 5-10 years

<u>Compensated Absences</u> – It is the Township's policy to not permit employees to accumulate earned but unused sick and vacation days. Therefore, no liability is recorded in the government-wide financial statements.

<u>Long-term Obligations</u> – In the government-wide financial statements, long-term debt are reported as liabilities in the applicable governmental activities statement of net assets.

<u>Fund Equity</u> – In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

Use of Estimates:

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Eliminations and Reclassifications:

In the process of aggregating data for the statement of net assets and the statement of activities, some amounts reported as interfund activity and balances in the funds were eliminated or reclassified. Interfund receivables and payables were eliminated to minimize the "grossing up" effect on assets and liabilities within the governmental activities column.

Property Taxes:

Property taxes attach as an enforceable lien on property as of July 1 for the summer tax levy and December 1 for the winter tax levy. Taxes levied on July 1 and December 1 are due without penalty before September 14 and February 28, respectively. These tax bills include the Township's own property taxes and taxes billed on behalf of Huron County and the school districts within the Township boundaries.

The 2004 taxable valuation of the Township's real and personal property totaled \$74,333,933, on which ad valorem taxes levied consisted of .9862 mills for the Township's operating purposes and 1.5000 mills for a special voted millage for roads and gypsy moth.

The 2004 taxable valuation of the Township's real property totaled \$73,309,033, on which ad valorem taxes levied consisted of 1.2000 mills for a fire special assessment.

The delinquent real property taxes of the Township are purchased by Huron County. The delinquent real property taxes are received soon enough after year end to be recorded as revenue in the current year.

March 31, 2005

NOTE 2: STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Budgetary Information:

The Township follows these procedures in establishing the budgetary data reflected in the financial statements:

- 1. A proposed operating budget by fund for each year is submitted to the Township Board. The operating budget includes proposed expenditures and the means of financing them.
- 2. A public hearing is conducted to obtain taxpayer comments.
- 3. Prior to April 1, the budget is legally enacted by adoption of the Township Board.
- 4. Any revision that alters the total expenditures of any fund must be approved by the Township.
- 5. Formal budgetary integration is employed as a management control device during the year for all funds.
- 6. Governmental fund budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America. A comparison of actual results of operations to the General Fund and major Special Revenue Funds budgets as originally adopted and amended by the Township Board is included in the required supplemental information.
- 7. All annual appropriations lapse at fiscal year end.

Excess of Expenditures over Appropriations in Budgeted Funds:

During the year, the Township incurred expenditures that were in excess of the amounts budgeted, as follows:

	Final <u>Budget</u>	<u>Actual</u>	Actual Over al Budget
General Fund			
Transfers out	\$ -	\$ 3,000	\$ 3,000
Special Revenue Funds			
Caseville Area Fire Protection Association Fund	82,745	87,963	5,218

State Construction Code Act:

The Township oversees building construction, in accordance with the State's Construction Code Act, including inspection of building construction and renovation to ensure compliance with the building codes. The Township charges fees for these services. The law requires that collection of these fees be used only for construction code costs, including an allocation of estimated overhead costs. A summary of the current year activity and the cumulative surplus generated since January 1, 2000 is as follows:

Cumulative surplus at April 1, 2004	\$ -
Current year building permit revenue	14,589
Related expenses:	
Direct costs	16,076
Cumulative surplus at March 31, 2005	\$ _

March 31, 2005

NOTE 3: DEPOSITS AND INVESTMENTS

The Township's deposits at March 31, 2005 are included in the statement of net assets under the following categories:

	Gov	ernmental	
	<u>A</u>	<u>Activities</u>	
Cash and cash equivalents	<u>\$</u>	507,377	

Deposits:

The Township's deposits are as follows:

	Governmental <u>Activities</u>			
Bank deposits (checking accounts, savings accounts, and certificates of deposit)	\$	507,277		
Petty cash		100		
Total	\$	507,377		

The deposits of the primary government were reflected in the accounts of financial institutions (without recognition of checks written but not yet cleared or of deposits in transit) at \$516,180, of which \$180,326 is covered by federal depository insurance and the remainder was uninsured and uncollaterized. The Township believes that due to the dollar amount of cash deposits and the limits of the FDIC insurance, it is impractical to insure all bank deposits. As a result, the Township evaluates each financial institution with which it deposits Township funds and assesses the level of risk each institution; only those institutions with an acceptable estimated risk level are used as depositories. To the extent that cash from various funds has been pooled, related investment income is allocated to each fund based on relative participation in the pool.

Investments:

State statutes authorize the Township to invest surplus funds in certificates of deposit, savings accounts and deposit accounts with banks and savings and loan associations which are members of FDIC, credit unions which are insured by NCUA, bonds, bills or notes of the U.S., commercial paper rated within the 3 highest classifications established, U.S. or federal agency obligation repurchase agreements, bankers' acceptances and mutual funds composed entirely of the aforementioned investments that are legal for direct investment by a Township. The Township had no investments at March 31, 2005.

Investments are categorized into these three categories of credit risk:

Category 1 – Insured or registered, or securities held by the Township or its agent in the Township's name:

Category 2 – Uninsured and unregistered, with securities held by the counterparty's trust department or agent in the Township's name; and

Category 3 – Uninsured and unregistered, with securities held by the counterparty or by its trust department or agent but not in the Township's name.

March 31, 2005

NOTE 4: CAPITAL ASSETS

Governmental activities capital asset activity for the year ended March 31, 2005 was as follows:

	Beginning Balance	Additions	Retirements	Ending Balance
Governmental activities:				
Depreciable capital assets:				
Buildings	\$ 8,000) \$ -	\$ -	\$ 8,000
Furniture and equipment	9,980	4,167		14,147
Total depreciable capital assets	17,980	4,167		22,147
Accumulated depreciation	(7,111	(1,482)		(8,593)
Depreciable capital assets, net	10,869	2,685		13,554
Governmental activities, capital	h 10.046		*	.
assets, net	\$ 10,869	9 \$ 2,685	\$ -	\$ 13,554

Depreciation expense was charged to functions as follows:

Governmental activities:

General government Public works	\$ 1,322 160
Total governmental activities	\$ 1,482

NOTE 5: DEFERRED REVENUE

Governmental funds report deferred revenue in connection with receivables for revenue that is not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received but not yet earned. At the end of the current fiscal year, the various components of deferred revenue are as follows:

	<u>Un</u>	<u>available</u>	<u>Une</u>	<u>arned</u>
Primary Government:				
Special assessments	\$	66,732	\$	

March 31, 2005

NOTE 6: LONG-TERM LIABILITIES

The Township may issue bonds, notes, and other contractual commitments to provide for the acquisition and construction of major capital facilities and the acquisition of certain equipment. General obligation bonds are direct obligations and pledge the full faith and credit of the Township.

Long-term liabilities at March 31, 2005 consisted of the following:

Types of Indebtedness	Maturity	Interest Rates	Annual Principal Installments	Original Issue Amount	standing Year-End
Governmental Activities					
General Obligation Bonds:					
1995 Issue - Special Assessment Bonds					
Serial Current Interest Bonds	8/1/04	5.25%	\$5,000	\$ 54,000	\$ -
2003 Issue - Special Assessment Bonds					
Serial Current Interest Bonds	11/1/04-11/1/12	4.15%	\$5,000-10,000	\$ 80,000	\$ 75,000
Loans:					
1999 Issue - Fire Station	2/1/05-2/1/07	4.85%	\$19,600	\$ 196,000	\$ 29,738
	2/1/05-2/1/07	4.85%	\$19,600	\$ 196,000	\$ 29,738

The following is a summary of long-term liabilities transactions for the year ended March 31, 2005:

	eginning Balance	Aa	lditions	Re	tirements	Ending Balance	 e Within ne Year
Governmental activities: General Obligation Bonds:							
1995 Issue 2003 Issue	\$ 5,000 80,000	\$	-	\$	(5,000) (5,000)	\$ - 75.000	\$ 10,000
Loans:	00,000				(2,000)	72,000	10,000
1999 Loan - Fire Station Total governmental activities	 68,938				(39,200)	 29,738	 19,600
- long-term liabilities	\$ 153,938	\$	-	\$	(49,200)	\$ 104,738	\$ 29,600

March 31, 2005

Annual debt service requirements to maturity for the above bonds and loans are as follows:

Year Ended	 Goı	ties			
March 31,	 Principal		Interest		Total
2006	\$ 29,600	\$	4,347	\$	33,947
2007	20,138		2,982		23,120
2008	10,000		2,075		12,075
2009	10,000		1,660		11,660
2010	10,000		1,245		11,245
2011-2013	 25,000		1,557	_	26,557
	\$ 104,738	\$	13,866	\$	118,604

NOTE 7: DISAGGREGATED RECEIVABLE AND PAYABLE BALANCES

Receivables and payables as of year end for the Township's governmental activities in the aggregate are as follows:

	Governmental Activities			
Receivables:				
Taxes	\$	19,029		
Accounts		1,700		
Special assessments		66,732		
Intergovernmental		10,914		
Total receivables	\$	98,375		
Accounts payable and accrued expenses:				
Accounts	\$	1,872		
Interest		1,537		
Intergovernmental		5,677		
Total accounts payable and accrued expenses	\$	9,086		

March 31, 2005

NOTE 8: INTERFUND BALANCES AND TRANSFERS

There were no interfund receivable and payable balances at March 31, 2005.

Interfund transfers reported in the fund statements were as follows:

Funds Transferred From	Funds Transferred To	<u>A</u>	nount	
General Fund	Capital Improvement Fund	\$	3,000	

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, (2) move receipts restricted to debt service from the funds collecting the receipts to the debt service fund as debt service payments become due, and (3) use unrestricted revenues collected in the various funds to finance various programs accounted for in other funds in accordance with budgetary authorizations.

NOTE 9: RISK MANAGEMENT

The Township is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries (workers' compensation). The Township has purchased commercial insurance for significant losses. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in the past three fiscal years.

NOTE 10: EMPLOYEE RETIREMENT AND BENEFIT SYSTEMS

Defined Contribution Pension Plan:

Plan Description – The Township has created a defined contribution pension plan for certain officials and employees. A defined contribution pension plan provides pension benefits in return for services rendered, provides an individual account for each participant, and specifies how contributions to the individual's account are to be determined instead of specifying the amount of benefits the individual is to receive. Under a defined contribution pension plan, the benefits a participant will receive depend solely on the amount contributed to the participant's account, the returns earned on investments of those contributions, and forfeitures of other participant's benefits that may be allocated to such participant's account.

March 31, 2005

Eligibility Requirements and Provisions:

There are no age or service requirements.

The following employees shall be eligible to participate in the plan:

Elected officials Assessor Building Inspector Zoning Administrator Transfer Station Supervisor Extra Office Deputy Clerk

An individual shall commence participation in the plan immediately.

Contributions:

Employer contributions for each participant will be 7.5% of compensation. Mandatory employee contributions will be 7.5% of compensation. The mandatory contributions shall be treated as made by employees on an after-tax basis. Participants may make voluntary after-tax contributions, through payroll withholding, in amounts ranging from 1% to 10% of compensation.

Vesting:

Benefits attributable to employer contributions shall be 100% vested upon a participant's death, disability, or normal retirement, or upon termination of the plan. On termination of a participant's service, such benefits shall vest 100% immediately.

Insurer:

The Manufacturers Life Insurance/John Hancock Company

Plan Activity:

For the plan year January 1, 2004 to December 31, 2004, the salaries of covered employees were \$55,334 and the salaries of all employees were \$82,173. All required contributions to the plan were made.

	E	mployer	E	mployee	 Total
Account value 12/31/03	\$	34,236	\$	30,693	\$ 64,929
Current year contributions Distributions Net gain/loss		4,150 (7,386) 1,067		4,150 (4,886) 990	8,300 (12,272) 2,057
Account value 12/31/04	\$	32,067	\$	30,947	\$ 63,014

March 31, 2005

Post Employment Benefits:

The Township offers no post employment benefits to its retirees.

Deferred Compensation Plan:

The Township offers no deferred compensation plan.

NOTE 11: PRIOR PERIOD ADJUSTMENTS

Accounting Change:

In June 1999, the Governmental Accounting Standards Board (GASB) unanimously approved Statement No. 34, *Basic Financial Statements – and Management Discussion and Analysis – for State and Local Governments* (Statement). The Township is required to implement the new requirements for the year ended March 31, 2005. The more significant of the changes to the financial statements as a result of the Statement are as follows:

For the first time, the financial statements will include:

- Government-wide financial statements prepared using full accrual accounting for all of the Township's activities.
- Fund financial statements, consisting of a series of statements that focus on a government's major governmental funds.

As a result of implementing the Statement, the following restatements were made to beginning fund balance and net asset accounts:

Government-wide Financial Statements:

Beginning net assets for governmental activities was determined as follows:

Fund balances of governmental funds as of 3/31/04, as restated	\$ 395,404
Add: Governmental capital assets, including general fixed assets, as of 3/31/04	17,980
Deduct: Accumulated depreciation as of 3/31/04 on above governmental capital assets	(7,111)
Add: Deferred revenues as of 3/31/04	66,732
Deduct: Debt as of 3/31/04	(153,938)
Deduct: Accrued interest payable on debt as of 3/31/04	(1,782)
Governmental net assets, as of 3/31/04	\$ 317,285

March 31, 2005

Change in Recognition of Sales Tax Revenue:

Recognition of state shared revenue payments of sales tax should agree with the State of Michigan's distribution periods. In prior years, the payment distributed in April for January/February collection period was recorded as revenue in the next year, or the year that it was received. In accordance with accounting principles generally accepted in the United States of America, this payment should be accrued to the prior year. The effect of this adjustment on General Fund fund balance is as follows:

Fund balance, as previously stated, as of 3/31/04	\$ 197,855
Add: State shared revenue for sales tax that should have accrued to prior year	 9,037
Fund balance, restated, as of 3/31/04	\$ 206,892



BUDGETARY COMPARISON SCHEDULE

							A	Actual	
	Budgeted Amounts						r (Under)		
	_ (Original		Final	Actual		Fine	Final Budget	
Revenues:									
Property taxes	\$	91,000	\$	91,000	\$	109,336	\$	18,336	
Licenses and permits		17,250		17,250		24,222		6,972	
State grants		65,000		65,000		72,722		7,722	
Charges for services		10,100		10,100		11,099		999	
Interest and rents		1,500		1,500		140		(1,360)	
Other revenue		300	_	300	_	278		(22)	
Total revenues		185,150		185,150		217,797		32,647	
Expenditures:									
Current:									
General government		97,105		96,075		86,813		(9,262)	
Public safety		12,500		17,300		16,076		(1,224)	
Public works		29,900		33,415		28,433		(4,982)	
Health and welfare		5,000		3,500		3,213		(287)	
Community and economic development		22,500		22,900		14,550		(8,350)	
Recreation and culture		1,200		1,200		1,200		-	
Other		18,600		13,915	_	11,874		(2,041)	
Total expenditures		186,805		188,305		162,159		(26,146)	
Excess (deficiency) of									
revenues over expenditures		(1,655)		(3,155)		55,638		58,793	
Other financing uses:									
Transfers out						3,000		3,000	
Total other financing uses						3,000		3,000	
Net change in fund balance		(1,655)		(3,155)		52,638		55,793	
Fund balance, beginning of year, as restated		206,892		206,892		206,892			
Fund balance, end of year	\$	205,237	\$	203,737	\$	259,530	\$	55,793	

SPECIAL REVENUE FUND – ROAD FUND

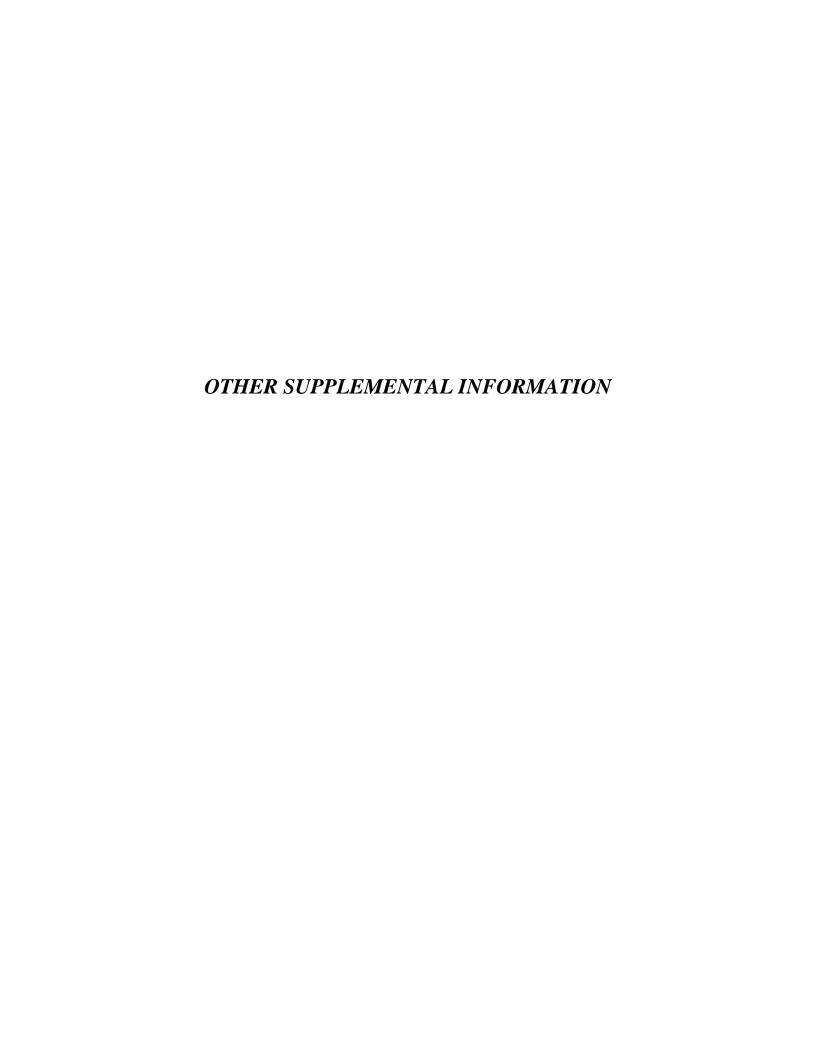
BUDGETARY COMPARISON SCHEDULE

								Actual
	Budgeted Amounts					Ove	er (Under)	
		Original		Final	Actual		Final Budget	
Revenues:								
Property taxes	\$	100,000	\$	100,000	\$	112,628	\$	12,628
State grants		-		-		1,944		1,944
Contributions from other units		-		-		-		-
Interest and rents						578		578
Total revenues		100,000		100,000		115,150		15,150
Expenditures: Current:								
Public works		108,000		108,000		13,277		(94,723)
Total expenditures		108,000		108,000		13,277		(94,723)
Excess (deficiency) of		(8,000)		(8,000)		101,873		109,873
revenues over expenditures		(8,000)		(0,000)		101,673		109,673
Fund balance, beginning of year		99,169		99,169		99,169		
Fund balance, end of year	\$	91,169	\$	91,169	\$	201,042	\$	109,873

SPECIAL REVENUE FUND – CASEVILLE AREA FIRE PROTECTION ASSOCIATION FUND

BUDGETARY COMPARISON SCHEDULE

	Budgeted Amounts							ctual (Under)
	0	riginal	Final		Actual		Final Budget	
Revenues:								
Property taxes	\$	82,745	\$	82,745	\$	87,963	\$	5,218
Total revenues		82,745		82,745		87,963		5,218
Expenditures:								
Current:								
Public safety		49,602		49,602		45,267		(4,335)
Debt service:								
Principal		28,390		28,390		39,200		10,810
Interest and charges		4,753		4,753		3,496		(1,257)
Total expenditures		82,745		82,745		87,963		5,218
Excess (deficiency) of								
revenues over expenditures		-		-		-		-
Fund balance, beginning of year								
Fund balance, end of year	\$		\$		\$		\$	



DETAILED SCHEDULE OF REVENUES

Revenues:	
Current taxes:	
Property taxes	\$ 73,935
Administration fees	25,945
Payment in lieu of taxes	1,010
Property taxes - homestead denials	8,446
	109,336
Licenses and permits:	
Business licenses and permits	220
Nonbusiness licenses and permits	18,034
CATV franchise fees	5,968
	24,222
State grants:	
Summer tax reimbursement	4,958
State revenue sharing - sales tax	67,367
DEQ project	397
	72,722
Charges for services:	
Refuse collection fees	8,234
Zoning/Planning/Land division fees	2,865
Zoning Flammig Land division rees	
	11,099
Interest and rents:	
Interest Interest	140
interest	140
	140
04	
Other revenue:	270
Other	278
	278
	h 245 = ° =
Total revenues	\$ 217,797

DETAILED SCHEDULE OF EXPENDITURES

Board: \$ 2,160 Education \$ 200 Education \$ 2,600 Supervisor: *** Personnel 7,800 Supplies 173 Mileage 133 Education 11,55 Personnel 12,316 Mileage 949 Education 505 Audit: 2,350 Contracted services 2,350 Board of Review: 2,350 Personnel 1,785 Mileage 18 Printing and publications 36 Treasurer: 1 Personnel 1,765 Mileage 94 Mileage 1,760 Mileage 94 Personnel 1,760 Mileage 94 Personnel 1,760 Mileage 94 Personnel 1,700 Mileage 94 Personnel 1,700 Mileage 94 <th>Expenditures:</th> <th></th>	Expenditures:	
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Education 500 2,660 Supervisor:	Board:	
Supervisor: 7,800 Personnel 7,800 Supplies 172 Mileage 133 Education 115 Cerk: Personnel 12,316 Mileage 949 Education 505 Lord: 2,350 Eornal 1,785 Mileage 18 Printing and publications 36 Treasurer: 1,839 Treasurer: 2,626 Mileage 914 Education 70 Assessor: 15,272 Assessor: Personnel 14,000 Supplies 322 Mileage 914 Education 70 Estresonnel 14,000 Supplies 322 Mileage 689 Education 175		
Supervisor: 7,800 Personnel 7,800 Supplies 172 Mileage 133 Education 15,220 Clerk: Personnel 12,316 Mileage 949 Education 505 Audit: 2,350 Contracted services 2,350 Board of Review: 1,785 Personnel 1,839 Treasurer: 18 Printing and publications 36 Supplies 2,626 Mileage 914 Education 15,272 Assessor: Personnel 14,000 Supplies 322 Mileage 91 Education 15,272	Education	
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Mileage 689 Education 175		
Education 175		
	Education	
15,186		15,186

DETAILED SCHEDULE OF EXPENDITURES (CONTINUED)

Expenditures, continued: General Government, continued:	
Elections:	
Personnel	\$ 1,415
Supplies	115
Mileage	105
Printing and publications	117
Repairs and maintenance	173
repuis and mannenance	1,925
Buildings and Grounds:	
Telephone	1,845
Utilities	2,450
Repairs and maintenance	1,210
	5,505
Attorney:	
Contracted services	5,952
	5,952
Other General Government:	
Supplies	3,187
Contracted services	8,335
Dues and memberships	1,199
Printing and publications	1,293
Other	120
	14,134
Total general government	86,813
Public Safety:	
Protective Inspection and Regulation:	
Personnel	15,468
Supplies	262
Mileage	177
Education	169
	16,076
Total public safety	16,076
Public Works:	
Drains - Public Benefit:	
Contracted services	5,630
	5,630
Street Lighting:	
Utilities	187
	187

DETAILED SCHEDULE OF EXPENDITURES (CONTINUED)

Expenditures, continued:	
Public Works, continued:	
Refuse: Personnel	\$ 4,645
Contracted services	17,539
Repairs and maintenance	432
•	22,616
Total public works	28,433
Health and Welfare:	
Ambulance:	
Contracted services	2,988
	2,988
Other Health and Welfare:	225
Contracted services	225 225
Total health and welfare	3,213
Community and Economic Development:	
Planning:	
Personnel	4,635
Supplies	28
Contracted services	248
Education	100
Printing and publications	166
	5,177
Zoning:	
Personnel	8,025
Supplies	398
Mileage Education	689 25
Printing and publications	236
	9,373
Total community and economic development	14,550
Recreation and Culture:	
Library:	
Contracted services	1,200
	1,200
Total recreation and culture	1,200

DETAILED SCHEDULE OF EXPENDITURES (CONTINUED)

Expenditures, continued:	
Other:	
Insurance	\$ 4,341
Retirement	4,594
Payroll taxes	2,939
	11,874
Total other	11,874
Total expenditures	162,159
Other Financing Uses:	
Transfers out	3,000
	3,000
Total expenditures and other financing uses	\$ 165,159

NONMAJOR GOVERNMENTAL FUNDS

COMBINING BALANCE SHEET

March 31, 2005

		Special Rev	unds		Debt ice Fund	Capital Projects Fund Fosters White Sand Shores Subdivision Road Improvements Fund		
		Gypsy Moth Fund	Capital Improvement Fund		Osbo Impr			
Assets:	Φ.	44.052	Φ	4.104	ф	1.000	ф	4.250
Cash and cash equivalents Special assessments receivable	\$ 	44,953	\$	4,124	\$	1,080 148	\$	4,259
Total assets	\$	44,953	\$	4,124	\$	1,228	\$	4,259
Liabilities and Fund Balances: Liabilities:								
Deferred revenue	\$		\$		\$	148	\$	
Total liabilities						148		
Fund balances:								
Reserved for: Debt service Unreserved:		-		-		1,080		-
Special revenue funds		44,953		4,124		-		-
Capital projects funds						-		4,259
Total fund balances		44,953		4,124		1,080		4,259
Total liabilities and fund balances	\$	44,953	\$	4,124	\$	1,228	\$	4,259

Capital Projects Fund

Impro	nd Road vements und	Gov	Total onmajor ernmental Funds
\$	1,885	\$	56,301 148
\$	1,885	\$	56,449
\$		\$	148
			148
	-		1,080
	-		49,077
	1,885		6,144
	1,885		56,301
\$	1,885	\$	56,449

NONMAJOR GOVERNMENTAL FUNDS

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

	Spe	ecial Reve	enue Funds	Debt Service Fund	Capital Projects Fund	
	Gypsy Moth Fund		Capital Improvement Fund	Blake and Osbourn Drive Fund	Fosters White Sand Shores Subdivision Road Improvements Fund	
Revenues:						
Interest and rents	\$	1,172	\$ 39	\$ -	\$ -	
Other revenue				4,280		
Total revenues		1,172	39	4,280		
Expenditures: Current:						
General government			200			
Public works		20,840	200	_	-	
Capital outlay		-	4,167	_	_	
Debt service:			.,			
Principal		-	-	5,000	_	
Interest and charges				263		
Total expenditures		20,840	4,367	5,263		
Excess (deficiency) of revenues over expenditures	(19,668)	(4,328	(983)	-	
Other financing sources: Transfers in			3,000		<u> </u>	
Total other financing sources			3,000			
Net change in fund balance	(19,668)	(1,328	(983)	-	
Fund balance, beginning of year		64,621	5,452	2,063	4,259	
Fund balance, end of year	\$	44,953	\$ 4,124	\$ 1,080	\$ 4,259	

Capital Projects Fund

Old Sand R Improveme Fund		Total Nonmajor Governmental Funds				
\$	_	\$	1,211			
			4,280			
			5,491			
	-		200 20,840			
	-		4,167			
			~ 000			
	-		5,000 263			
			203			
	-		30,470			
	-		(24,979)			
			3,000			
			3,000			
	-		(21,979)			
1	,885		78,280			
\$ 1	,885	\$	56,301			

FIDUCIARY FUND – AGENCY FUND

COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES

March 31, 2005

Property Tax Collection Fund

	Beginning Balance		Additions		Reductions		Ending Balance	
Assets: Cash and cash equivalents	\$ 1	,618	\$	2,487,651	\$	2,487,569	\$	1,700
Liabilities: Current:								
Accounts payable Due to other funds Due to other governmental units	\$ 1	- 1,618 -	\$	9,995 325,853 2,151,803	\$	8,295 327,471 2,151,803	\$	1,700 - -
Total liabilities	\$ 1	1,618	\$	2,487,651	\$	2,487,569	\$	1,700

GOVERNMENTAL ACTIVITIES

SCHEDULE OF INDEBTEDNESS

March 31, 2005

1995 Road Improvement Special Assessment Bond - Blake and Osbourn Road Improvements

Issued Date	\$ 54,000	
Less:	Principal paid in prior years Principal paid in current year	 (49,000) (5,000)
Balance pay	vable at March 31, 2005	\$ _

2003 Special Assessment Bonds - Fosters White Sand Shores Subdivision and Old Sand Road Impovements

Issue Dated December 1, 2003 in the amount of \$80,000

Less: Principal paid in prior years - (5,000)

Balance payable at March 31, 2005 \$75,000

Balance payable as follows:

Fiscal <u>Year Ended</u>	<u>Rate</u>	 erest due <u>Aay 1</u>	 erest due vember 1		icipal due vember 1	<u>Total</u>
2006	4.15%	\$ 1,556	\$ 1,349	\$	10,000	\$ 12,905
2007	4.15%	1,349	1,141		10,000	12,490
2008	4.15%	1,141	934		10,000	12,075
2009	4.15%	934	726		10,000	11,660
2010	4.15%	726	519		10,000	11,245
2011	4.15%	519	311		10,000	10,830
2012	4.15%	311	208		5,000	5,519
2013	4.15%	 208	 	-	10,000	 10,208
		\$ 6,744	\$ 5,188	\$	75,000	\$ 86,932

GOVERNMENTAL ACTIVITIES

SCHEDULE OF INDEBTEDNESS

March 31, 2005

1999 Fire Station Loan

Issue Dated	\$ 196,000	
Less:	Principal paid in prior years Principal paid in current year	 (127,062) (39,200)
Balance pay	yable at March 31, 2005	\$ 29,738

Balance payable as follows:

Fiscal <u>Year Ended</u>			ncipal due ebruary <u>1</u>	 erest due bruary 1	<u>Total</u>		
2006 2007	4.85% 4.85%	\$	19,600 10,138	\$ 1,442 492	\$	21,042 10,630	
		\$	29,738	\$ 1,934	\$	31,672	



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MANAGEMENT LETTER

To the Township Board Lake Township, Michigan

We have completed our audit of the financial statements of Lake Township for the year ended March 31, 2005, and have issued our report thereon dated June 7, 2005. As part of our examination, we made a study and evaluation of the Township's system of internal accounting control to the extent we considered necessary to evaluate the system as required by generally accepted auditing standards. The purpose of our study and evaluation was to determine the nature, timing, and extent of the auditing procedures necessary for expressing an opinion on the Township's financial statements. Our study and evaluation was more limited than would be necessary to express an opinion on the system of internal accounting control taken as a whole.

The Township's administration is responsible for establishing and maintaining a system of internal accounting control. In fulfilling this responsibility, estimates and judgments by the administration are required to assess the expected benefits and related costs of control procedures. The objectives of a system are to provide the administration with reasonable, but not absolute assurance that assets are safeguarded against unauthorized use or disposition and that transactions are executed in accordance with the administration's authorization and recorded properly to permit the preparation of financial statements in accordance with generally accepted accounting principles.

Because of inherent limitations in any system of internal accounting control, errors or irregularities may, nevertheless, occur and not be detected. Also, projection of any evaluation of the system to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or the degree of compliance with the procedures may deteriorate.

Our study and evaluation made for the limited purpose described in the first paragraph would not necessarily disclose all material weaknesses in the system. Accordingly, we do not express an opinion on the system of internal accounting control of Lake Township taken as a whole. Our study and evaluation disclosed no conditions that we believe to be material weaknesses.

This report is intended solely for the use of the Township management and should not be used for any other purpose.

We wish to extend our appreciation to you and your staff for the assistance accorded us during our examination.

Sincerely,

Berthiaume & Company Certified Public Accountants

Reachiains & Co.

June 7, 2005